FAQ: Natural Disaster Protocols. Released September 2011 and applicable only to loans closed and/or endorsed prior to the release of Mortgagee Letter 2012-23 on November 16, 2012

Recommended Protocols for properties located in FEMA Designated Natural Disaster Areas What measures should lenders take prior to closing or endorsing loans when a property is located within a FEMA designated disaster area?

Pre-closing or Pre- Endorsement Measures	Damage Noted/ Damage Estimate	Damage Threshold Escrow Recommendations	Close Loan	Inspection Protocols	Endorse Loan
Complete Interior/ Exterior Inspection w/ Photos	Yes	Habitable and meets MPR/MPS w/ damages less than \$5,000 repair escrow recommended	Yes	Post Repair Inspection Release of escrow funds	Yes (document inspection, repair and release of escrow in case
Complete Interior/ Exterior Inspection w/ Photos	Yes	Damage <u>in excess</u> of \$5,000 repair escrow recommended	No	Post Repair Inspection Release of escrow funds	Yes (document inspection, repair and release of escrow in case binder)
Complete Interior/ Exterior Inspection w/photos	No	None	Yes	None	Yes

- Inspection should be conducted by appraiser who performed original report or, if damage includes structural or other complex issues, a technically qualified 3rd party
- If inspection not conducted by original appraiser, inspector should have copy of original appraisal complete with photos and exhibits
- If home or site damaged, an itemized list of damages with repair estimates should be retained in case binder
- Repair estimates over \$5,000 and/or repairs involving structural or other specialized repairs must be made by technically qualified 3rd party
- Technically qualified 3rd parties should have expertise for the component being inspected (structural engineer, electrician, plumber, roofer, licensed home improvement or building contractor, etc.)
- Damage should be repaired prior to endorsement, even in cases of insurable losses
- If required by local jurisdiction, copies of building permits, inspection results and, if applicable, certificate of occupancy must be retained in case binder